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## UK economy prospective after election

The result of UK general election just came out. Conservatives won with 305 seats in the parliament (Labour 258, Liberal democrats 57, other 29). For the first time since 1976, there's no absolute majority, this is a "hung" parliament, requiring Conservatives to form a coalition to govern the UK. Tories currently discuss with Lib Dem to form this coalition, but this process is far from being achieved, Labour party having not abandoned the idea to form a coalition with Lib Dem.

To estimate the probable consequences of these elections, we replace the program of the three main parties into perspective, and examine what they have in common to identify the outcome of possible coalitions. We do this exercise in relation to the current economic context, characterized by a recovery process of the UK economy, the persistence of fragilities, and growing pressures of the market on public debt.

We present here the most probable consequences of these elections :

- The hazardous process linked to the formation of a coalition will increase the uncertainty around the solutions proposed for tackling the problem of deficits. It will increase the pressure on UK debt and increase the distrust of the market toward UK assets.
- The win of Conservatives, whatever the coalition formed thereafter, announces new austerity measures in the UK. But the coalition structure of the government announces a softer approach for tackling the problem of huge deficits. At the same time, this cooperative structure means less blockages in the parliament to vote new austerity measures. The win by an absolute but weak majority would have meant more blockages in the parliament.
- A new tax on banks will be introduced (in line with current global reform of financial systems)
- The BOE's role will be reinforced to the detriment of the FSA
- The UK won't join the Euro zone
- No industrial policy will emerge like in the US. The UK will remain heavily dependant on financial activities

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	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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